

## Homeopathy Medical Council - 2010

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### 1. Financial Statements

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#### 1:1 Opinion

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that Homeopathy Medical Council had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Homeopathy Medical Council as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

#### 1.2 Comments on Financial Statements

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1.2.1 Expenditure of Rs.1,814,888 relating to the 1<sup>st</sup> period of 7 months had been incurred by the Ministry and the expenditure of the balance period of 5 months had been incurred by the Medical Council.

#### 1.2.2 Accounting Deficiencies

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The following observations are made.

- (a) Despite the accrued expenses of Rs.97,433 relating to the preceding year had not been settled, it had been included in the expenditure account of the year under review and settled the accrued expenditure. As a result the expenditure of the year under review and the deficit had been understated by that amount.

- (b) Even though the total of the employees salaries and allowances account amounted to Rs.1,590,040 , it had been stated as Rs.1,508,560 and as such the salaries and allowances account of the year and the deficit for the year had been under stated by Rs.81,480.
- (c) A sum of Rs.15,000 paid as the Medical Council meeting allowance had been accounted under advances, the expenditure and the deficit of the year had been understated by that amount.
- (d) As the accounting fees of Rs.42,000 payable for the preparation of accounts of the year under review had not been accounted under accrued expenditure the deficit and the current liabilities of the year under review had been understated by that amount.
- (e) A sum of Rs.108,486 deducted as loan installments and loan advances from salaries during the year under review had been erroneously debited to an account named as "Homeopathy Fund" and as such the deficit for the year had been overstated by that amount.
- (f) A sum of Rs.72,324 received from employees loan recovery installments had been debited to the cash book but the details of the relevant credit entry was not made available to audit.
- (g) 8% contribution of EPF recovered from employees salaries of December amounting to Rs.19,979 had not been shown under current liabilities.
- (h) Employees who had been dismissed from service had filed cases in the Labour Tribunal and the Supreme Courts against the Medical Council. But the relevant contingent Liability had not been disclosed in the financial statements.

### 1.2.3 Accounts Receivable

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Loans of Rs.350,000 at Rs.50,000 each had been granted to 7 employees in the year 2009 on the basis of recovering by 12 months. Of this, the loan balance recoverable as at 31 December 2010 amounted to Rs.241,684.

### 1.2.4 Unidentified Balances

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An unidentified balance of Rs.7,100 had been shown in the bank reconciliation continuously since 2009. Action had not been taken to identify it and to take a suitable step up to the date of audit.

### 1.2.5 Lack of Evidence for Audit

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The following items could not be satisfactorily vouched in audit due to non-availability of evidence stated against each item.

Item -----	Value ----- Rs.	Evidence not made available -----
- Sundry income	35,303	Receipts
- Cash balance - Commercial Bank	622,650	Bank confirmation
- Cash Balance - Bank of Ceylon	418,413	- do -
- Fixed Assets (Purchased prior to 2008)	280,492	Schedules / Register of fixed assets

### 1.2.6 Non-compliance with Laws, Rules, Regulations etc.

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Instances of non-compliance are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Public Enterprises Circular No. PED/12 of 02 June 2003	
(i) Paragraphs 5.1.1 and 5.1.2	An annual Action Plan and a Corporate Plan had not been prepared.
(ii) Paragraph 5.2.4	A Budget for the year under review had not been prepared.
(iii) Paragraph 6.5.3	The Auditor General's report for the year 2009 had not been tabled even up to 30 June 2011.
(b) Public Enterprises Circular No. PED/25(1) of 10 August 2004	The Homeopathy Medical Council had operated an ordinary savings account in a private Bank which was not in the Circular provision.

## 2. **Financial and Operating Review**

### 2.1 **Financial Results**

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According to the financial statements presented, the operation of the Council for the period of 5 months from August to December of the year under review had resulted in a deficit of Rs.382,792 . However, the Ministry had spent a sum of Rs.1,814,888 for the Medical Council during the first period of 7 months and that amount had not been included in the financial statements. As against the year under review, there was surplus of Rs.2,424,091 for the preceding year.

## 2.2 Performance

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- (a) Action had not been taken to achieve the following objectives of the Council as stated in Section 22 of the Homeopathy Act, No. 07 of 1970.
- (i) Strengthening researches and studies relating to Homeopathy Medical System.
  - (ii) Formulating Statutes on manufacture, imports, selling and distribution of Homeopathy drugs.
  - (iii) Even though a building to commence a Homeopathy Medical College had been constructed in the year 2008 and furniture had also been supplied in the year 2009 necessary steps had not been taken to formulate the legal frame work to begin the studies of the Medical College and to achieve the objective even up to the date of audit on 01 June 2011.
- (b) Action had not been taken to hold examinations by the Council in terms of Section 27(3)(c) of the Act.
- (c) Out of 7 Homeopathy Clinics operated in 7 Regions, the patients' participation in 6 clinics had declined to 2% to 47%.
- (d) Out of the total cost incurred during the year under review amounting to Rs.2,994,386 , a sum of Rs.844,000 had been incurred on legal fees and it represented 28 per cent of the total expenditure.

## 2.3 Identified Losses

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The surcharge to be paid due to delay in paying Employees Trust Fund and Employees Provident Fund Contributions amounted to Rs.15,765.

## **2.4 Idle Assets**

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Fixed assets valued at Rs.1,199,254 purchased in the year 2009 for the Homeopathy Medical College had been idle up to the date of Audit on 01 June 2011.

## **2.5 Management Weaknesses**

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Lots of very old Homeopathy drugs which can remain for a long period existed in the Council. According to the Board of Survey report carried out on 07 December 2010, it was recommended that a Board consisting of a person who has the knowledge of drugs should be appointed and action should be taken to dispose the drugs which were not suitable for use after testing the drugs of which the chemical composition would be changed. However necessary steps had not been taken accordingly even up to the date of audit on 01 June 2011.

## **3. Systems and Controls**

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Weaknesses in systems and controls were brought to the attention of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Maintenance of the Register of Fixed Assets
- (b) Maintenance of a Annual Charges Register